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U.S. Department of State Foreign Affairs Manual Volume 4 Handbook 3
Financial Management Procedures Handbook

4 FAH-3 H-120 BUDGET EXECUTION

(*CT:FMP-77; 08-20-2013*)
(*Office of Origin: BP/RPBI*)

4 FAH-3 H-121 APPROPRIATION CONTROL

4 FAH-3 H-121.1 Control Responsibility

(*CT:FMP-77; 08-20-2013*)

- a. The Department controls its appropriated funds in both a centralized and decentralized environment. The Bureau of Budget *and Planning (BP)* is the central coordinator for budget submissions to the Office of Management and Budget (OMB) and Congress for appropriations made for the Departments of Commerce, Justice and State. The Office of *U.S.* Foreign Assistance *Resources (F)* coordinates submissions for foreign operations appropriations. In addition, *BP* is responsible for the overall funds control of each appropriation/allotment combination. The Department generally decentralizes its budgetary control at the allotment and suballotment levels both domestically and abroad. However, certain requirements of the Diplomatic and Consular Programs appropriation are centrally managed (for example, American Salaries by *BP*, Post Assignment Travel by HR/EX).
- b. Budget execution is characterized by obtaining funds through the warrant and apportionment processes respectively with the U.S. Treasury and OMB, determining internal spending levels through the financial operating plan, and exercising funds control.

4 FAH-3 H-121.2 Treasury Warrants

(*CT:FMP-77; 08-20-2013*)

Once the Congress has passed an appropriations bill and the President has signed it, the Department of the Treasury provides an agency with an Appropriation Warrant, *Form FMS-6200*. Warrants make available for spending specific amounts appropriated by the Congress for each individual appropriation.

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4 FAH-3 H-121.3 Apportionment Process

(CT:FMP-77; 08-20-2013)

Funding Department programs and activities also requires that the Office of Management and Budget (OMB) approve apportionment spending plans.

- (1) An apportionment is intended to achieve an effective and orderly use of available budget resources. It is the process by which OMB distributes amounts available for obligation by time period or purpose, including budgetary reserves established pursuant to law, in an appropriation or fund account.
- (2) To summarize the apportionment spending plan and account for the issued funds, agencies submit (1) Form SF-132, Apportionment and Reapportionment Schedule, and (2) Form SF-133, Report on Budget Execution and Budgetary Resources.
- (3) The OMB apportionment distributes appropriated amounts into more specific availability; usually for the four quarters of the current fiscal year as a "Category A" apportionment. OMB alternatively may use a "Category B" apportionment, defining availability in terms other than a time continuum by using such definitions as activities, programs, or projects.
OMB uses a "Category AB" to apportion funds by program and time period (typically by quarter). OMB uses a "Category C" apportionment for fund availability in future *periods*. OMB may also combine Category A, Category B, and Category C concepts in an apportionment. Whatever course OMB takes, the Department is required by law to tailor its obligation profile to the terms of the apportionment.
- (4) Instructions and illustrations for completing Forms SF-132 and SF-133 are contained in OMB Circular A-11, Preparation, Submission and Execution of the Budget.

4 FAH-3 H-122 ALLOTMENT OF FUNDS

4 FAH-3 H-122.1 Purpose

(CT:FMP-77; 08-20-2013)

- a. The Department (*BP*) issues allotments to control the amounts that may be obligated and expended under an appropriation or limitation. Thus, no appropriation shall be obligated, nor shall any expenditure be made unless an allotment has been made for that purpose, or other specific authorization has been granted. Allotments are also made for the purpose of managing obligations and thus preventing deficiencies (over expenditure) in appropriations and appropriation limitations. The generic term "allotment" actually refers to funding authorization documents at three different levels of

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aggregation explained in the next section.

- b. When approved and established, allotments have the effect and force of appropriation limitations and may not be exceeded or changed without prior approval of the Department (*BP*). A violation at the allotment level constitutes a violation of the Anti-Deficiency Act. See 4 FAM 080 for additional information.

4 FAH-3 H-122.2 Allotment Authority, Advice of Allotment and Operating Allowance

(CT:FMP-77; 08-20-2013)

Once apportionment authority is received by the Department, it is made available through "Allotments" issued by *BP* to the respective bureaus. Allotment Authorities are issued at the highest aggregate funding level to major bureaus (e.g., geographic regional bureaus, Bureau of Administration) anticipating the resources will be divided further among posts or multiple activities or programs. The subdivision of funds is accomplished by a bureau issuing advices of allotment to posts or activities/programs. *BP* itself also issues Advices of Allotment to smaller domestic bureaus that do not have an obvious need to subdivide the resources. Nevertheless, Advices of Allotment may in turn be further subdivided into Operating Allowances issued to constituent posts/programs. Both Allotment Authorities and Advices of Allotment conform to apportioned distributions and provide bureaus funds to conduct activities and make obligations not to exceed the values stated. Allotted amounts represent decisions made by the Under Secretary for Management or other designated senior Department officials in approving financial operating plans.

4 FAH-3 H-122.2-1 Limitations Below the Allotments

(CT:FMP-29; 02-17-2005)

- a. Allotees are authorized to establish limitations below the allotment level. These limitations may be in the form of an operating allowance, function, object class or budget resource/project. For example, a bureau may issue an allotment with limitations at the function code level to either an office within the bureau or to a post; or a post allotment holder may issue operating allowances to a constituent post that it services. Such limitations must be fixed in amount and changed only by the authorizing allottee.
- b. If an operating allowance or other administrative subdivision of funds is exceeded, the responsible individual is subject to administrative discipline. However, if exceeding an allowance also causes the allotment to be exceeded, the responsible individual (i.e., the allottee not the suballottee) is also subject to sanctions under the Anti-Deficiency Act.

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4 FAH-3 H-122.2-2 Spending Floors and Spending Ceilings

(CT:FMP-29; 02-17-2005)

- a. Chiefs of missions or principal officers at posts are responsible for control of funds and assurance that the amounts provided to post in an allotment and any limitation below the allotment level are not exceeded and are properly used. Domestic fund control responsibility is vested in the respective assistant secretary of bureaus receiving funds.
- b. Two other tools used to manage funds are spending floors and spending ceilings. A spending floor indicates that a minimum amount of funding must be spent on a designated activity or program, while a spending ceiling stipulates that a specified activity or program can obligate no more funding than a maximum dollar amount. Spending floors and ceilings are usually derived from amounts appropriated for individual line items (often called "earmarks") in the appropriations act. However, there are other, less evident sources for floors and ceilings. A partial list of other sources include:
 - (1) Language in an authorization or appropriation act;
 - (2) Appropriation-specific or general provision in a report accompanying the appropriation that the Department decides to implement as a matter of policy;
 - (3) Statement of intent related to activity or program published in the Congressional Record that the Department decides to implement as a matter of policy;
 - (4) Office of Management and Budget (OMB) policy statement or apportionment mark; and
 - (5) Financial plan decision by the Under Secretary for Management or other designated senior Department official.
- c. Once and wherever established, sound fund control practice must be instituted so that floor and/or ceiling amounts and their respective purposes are specified in writing on fund control documents at every subsequent level (viz., apportionment, allotment authority, advice of allotment, or operating allowance). However, spending floors and ceilings can be adjusted by seeking funds reprogramming from the appropriate Congressional committees, or submitting a Congressional Notification for specially-designated foreign operations accounts. Where appropriate, relief can be sought via OMB reapportionment or reconsideration of decisions previously made by the Under Secretary for Management or other designated senior Department official.

4 FAH-3 H-123 USE OF FUNDS

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(CT:FMP-29; 02-17-2005)

Once allotments are received, bureaus and posts may begin the task of establishing obligations and obtaining goods and services in accordance with approved programs and funds availability. This may be done through placing orders, writing contracts, hiring personnel, authorizing overtime, preparing travel orders, or requesting services from other organizations. In executing programs and activities, funds pass through various stages:

- (1) **Commitments**—An intent to incur a financial liability. For example, a request for contractual procurement usually requires that sufficient funds be set aside and documented by a “funded requisition;”
- (2) **Obligations**—Binding commitments to pay for orders placed, contracts awarded, services received, and similar transactions requiring payments, as defined by 31 U.S.C. 1501;
- (3) **Unobligated Balances**—The balances of all budgetary resources available for obligation (for example unobligated balances of budgetary authority); and
- (4) **Expenditures**—The actual payment for goods or services rendered based on a valid obligation and certification of receipt.

4 FAH-3 H-124 FINANCIAL PLANNING

4 FAH-3 H-124.1 Department's Financial Plan Process

(CT:FMP-29; 02-17-2005)

- a. The Department of State's Financial Operating Plan is the mechanism whereby funds appropriated, transferred, or reimbursed to the Department are programmed, allotted, and controlled to provide for the orderly execution of programs, projects, and activities intended to achieve the Department's foreign policy goals and objectives.
- b. The financial plan process of the Department is multi-phased involving the preparation and submission of field budget plans, bureau financial plan requests, decisions by the Under Secretary for Management, and periodic monitoring (including one or more formal reviews).
- c. Financial plans are prepared to reflect and implement policies, programs, and priorities contained in Bureau Performance Plans.
- d. Financial Planning for the Capital Investment Fund and other Information Technology (IT) resources involves the work of the Department's eGovernment Program Board (eGovPB), chaired by the Under Secretary for Management. The eGovPB is the Department's IT Capital Planning and Investment Control (CPIC) mechanism, as defined by 40 U.S.C. 1412. For details on the IT Capital Planning process, see 5 FAM 1000.

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4 FAH-3 H-124.2 Field Budget Plans

4 FAH-3 H-124.2-1 Description

(CT:FMP-77; 08-20-2013)

The purpose of field budget plans is to gather information essential to set funding levels for diplomatic posts. The plan presents information and programs at the object class level and projects upcoming fiscal year costs by calculating wage and price increases and anticipated program changes. These anticipated program changes are to be consistent with program priorities reported in the Mission *Resource Request (MRR)*; the quantitative resources data in both documents should be fully consistent.

4 FAH-3 H-124.2-2 Process

(CT:FMP-77; 08-20-2013)

Regional bureaus issue field budget plan guidance to posts for the upcoming fiscal year. Post submissions are used by the regional bureaus in determining resource levels for the upcoming fiscal year and in submitting requests to *BP* for additional funds.

4 FAH-3 H-124.3 Diplomatic and Consular Programs Financial Plan

4 FAH-3 H-124.3-1 Budget Support System

(CT:FMP-77; 08-20-2013)

The Budget Support System through *BP* provides the Department with an automated system to generate and maintain the exhibits required for the initial submission of the Financial Operating Plan (FINPLAN). Bureaus can enter their resource requirements into a standard web-based system containing the program activities identified for the Department.

4 FAH-3 H-124.3-2 Process

(CT:FMP-77; 08-20-2013)

- a. The financial planning system process begins by issuing formal guidance during the summer prior to the beginning of the fiscal year. In developing bureau levels, *BP* identifies nonrecurring costs, projects wage and price adjustments, and provides current exchange rate adjustments. Bureaus may request increases to support specific program activities.
- b. Bureau requests are submitted through the web-based Budget Support System to *BP* for review. *BP* and HR conduct a joint review of bureau requests and

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develop options for matching requests to Department priorities and available resources. *BP* and HR recommend to the Under Secretary for Management the Department's FINPLAN. Upon the under secretary's approval, FINPLAN decisions are implemented through the allotment of funds to bureaus.

4 FAH-3 H-125 FINANCIAL PLAN EXECUTION

(CT:FMP-29; 02-17-2005)

Once the FINPLAN levels are determined and allotments issued, bureaus prepare monthly obligation phasing plans so that obligation trends can be monitored throughout the year. Senior financial managers are briefed on the trends that are used in conjunction with other financial materials to review and refine the FINPLAN. In addition, at least one formal review is conducted during the year to analyze unfunded requirements in the context of overall fund availability and obligation patterns.

4 FAH-3 H-126 THROUGH H-129 UNASSIGNED